

**Emirates Integrated Telecommunications
Company, PJSC**

Interim condensed financial statements

30 September 2006

Emirates Integrated Telecommunications Company, PJSC

Interim condensed financial statements

for the period from 28 December 2005 to 30 September 2006

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The Shareholders
Emirates Integrated Telecommunications Company, PJSC
Dubai

Review Report

We have reviewed the accompanying interim condensed balance sheet of Emirates Integrated Telecommunications Company, PJSC ("the Company") as of 30 September 2006, and the related interim condensed statements of pre-operating costs, changes in equity and cash flows for the period from 28 December 2005 to 30 September 2006. These interim condensed financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these interim condensed financial statements based on our review.

We conducted our review in accordance with the International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim condensed financial statements are free of material misstatement. A review is limited primarily to inquiries of Company personnel and analytical procedures applied to financial data and thus provide less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not presented fairly, in all material respects in accordance with International Accounting Standard 34, 'Interim Financial Reporting'.

KPMG
Munther Dajani
Registration No. 268

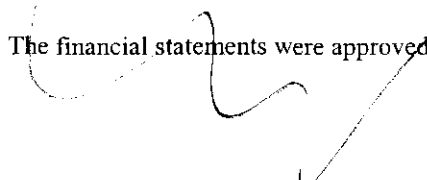
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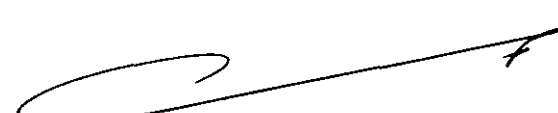
Emirates Integrated Telecommunications Company, PJSC

Interim condensed balance sheet at 30 September 2006

	Note	30 September 2006 AED 000
Non-current assets		
Property, plant and equipment		773,829
Deferred telecommunications license fees	5	120,697
Indefeasible right of use	5	109,276
Goodwill	6	704,860
		<u>1,708,662</u>
Current assets		
Deferred fees - current	5	45,515
Inventories		96,317
Accounts receivable		87,992
Other receivables		252,147
Due from a related party		24,340
Cash and cash equivalents		2,086,018
		<u>2,592,329</u>
Current liabilities		
Accounts payable and accruals		408,137
		<u>408,137</u>
Net current assets		<u>2,184,192</u>
Non current liabilities		
Fees payable – long term		221,495
Net assets		<u>3,671,359</u>
Shareholders' equity		
Share capital		4,000,000
Net pre-operating costs		(328,641)
		<u>3,671,359</u>

The financial statements were approved on 29 October 2006 by:


Ahmad bin Byat
Chairman


Osman Sultan
Chief Executive Officer

The notes set out on pages 6 to 8 form part of these interim condensed financial statements.

The Review Report is set out on page 1.

Emirates Integrated Telecommunications Company, PJSC

Interim condensed statement of pre-operating costs for the period from 28 December 2005 to 30 September 2006

	<i>Note</i>	For the quarter ended 30 September 2006 AED 000	For the period from 28 December 2005 to 30 September 2006 AED 000
General and administrative expenses		(145,901)	(294,737)
Staff costs		(122,216)	(240,756)
Depreciation and amortisation		(16,474)	(41,112)
Pre-incorporation expenses		-	(24,454)
Pre-operating income (net)	7	54,155	155,255
Interest income		34,045	116,751
Other income		-	412
Net pre-operating costs		(196,391)	(328,641)

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Emirates Integrated Telecommunications Company, PJSC

Interim condensed statement of changes in equity for the period from 28 December 2005 to 30 September 2006

	Share capital AED 000	Net pre-operating costs AED 000	Total AED 000
Introduction of share capital	4,000,000	-	4,000,000
Net pre-operating costs	-	(328,641)	(328,641)
At 30 September 2006	<u>4,000,000</u>	<u>(328,641)</u>	<u>3,671,359</u>

The notes set out on pages 6 to 8 form part of these interim condensed financial statements.

The Review Report is set out on page 1.

Emirates Integrated Telecommunications Company, PJSC

Interim condensed statement of cash flows

for the period from 28 December 2005 to 30 September 2006

For the period from
28 December 2005
to 30 September 2006
AED 000

Set-up activities	
Net pre-operating costs for the period	(328,641)
Adjustment for:	
Depreciation and amortisation	41,112
Net pre-operating costs before changes in working capital	(287,529)
Increase in inventories	(96,317)
Increase in accounts receivables and other receivables	(340,139)
Increase in accounts payable and accruals	375,995
Amortisation of deferred fees	63,930
Increase in due from a related party	(24,340)
Net cash used in set-up activities	(308,400)
Investing activities	
Purchase of property, plant and equipment	(459,895)
Acquisition of businesses during the period	(1,133,237)
Payment of telecommunications license fees	(12,450)
Net cash used in investing activities	(1,605,582)
Financing activities	
Introduction of share capital	4,000,000
Net cash provided by financing activities	4,000,000
Net increase in cash and cash equivalents	2,086,018
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	2,086,018
 This comprises of:	
Cash in hand and at bank	18,478
Fixed deposits	2,067,540
	2,086,018

The notes set out on pages 6 to 8 form part of these interim condensed financial statements

The Review Report is set out on page 1.

Emirates Integrated Telecommunications Company, PJSC

Notes to the interim condensed financial statements

1 Legal Status and principal activities

Emirates Integrated Telecommunications Company, PJSC ("the Company") is a public joint stock company with limited liability. The Company was incorporated according to ministerial resolution No. 479 of 2005 issued on 27 December 2005. The Company was registered in the commercial register under No. 77967 on 28 December 2005.

The Company's principal objective is to provide wire, wireless and associated telecommunication services. The management expects that the commercial operations of the Company will commence not earlier than the end of the year 2006.

The principal address of the Company is P.O Box 502666 Dubai, United Arab Emirates.

2 Statement of compliance

These interim condensed financial statements have been prepared in accordance with the International Accounting Standard 34, 'Interim Financial Reporting'.

3 Basis of preparation

(a) The interim condensed financial statements have been prepared under the historical cost convention and are presented in United Arab Emirates Dirhams (AED) rounded to the nearest thousand.

(b) The preparation of interim condensed financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of financial assets, liabilities and the provisions in the financial statements. Actual results may differ from these estimates.

4 Significant accounting policies

(i) Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses, if any.

Assets acquired from related parties are stated at revalued amount less accumulated depreciation.

Depreciation is calculated on a straight line basis over the estimated useful lives of the assets which is as follows:

	Years
Buildings and leasehold improvements	20-25
Plant and machinery	3-10
Office equipment	3-5
Furniture and fixtures	5
Motor vehicles	4

Capital work in progress is stated at cost. When commissioned, capital work in progress is transferred to property, plant and equipment and depreciated in accordance with the Company policies.

(ii) Goodwill

Goodwill represents the excess of cost of acquisition over the fair market value of identifiable assets and liabilities acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses, if any.

(iii) Inventories

Inventories are stated at the lower of cost and estimated net realisable value. Costs includes expenses incurred in bringing each inventory item to its present location and condition and is determined on a weighted average basis. Net realisable value is based on estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Emirates Integrated Telecommunications Company, PJSC

Notes to the Interim Condensed Financial Statements (Continued)

4 Significant accounting policies (Continued)

(iv) Cash and cash equivalents

Cash and cash equivalents comprises cash on hand and balances with banks under current, call and fixed deposits maturing in less than three month from the balance sheet date.

(v) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) arising from a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reasonable estimate can be made of the amount of obligation.

(vi) Impairment

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's carrying amount is reduced to recoverable amount. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(vii) Foreign currency transactions

Transactions denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to AED at the foreign exchange rates ruling at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to AED at the foreign exchange rates ruling at the date of transaction. Exchange differences have been dealt with in the interim condensed statement of pre-operating costs.

5 Deferred fees and Indefeasible right of use

30 September 2006
AED 000

Deferred telecommunications licence fees	120,697
Indefeasible right of use	109,276
Deferred fees - current	
Spectrum/frequency authorisation fees	33,288
Numbering fees	12,227
	45,515

Telecommunications licence fees represent the fees incurred for obtaining the licence to operate as a telecommunications service provider in the United Arab Emirates. The fees are being amortised on a straight-line basis over a period of 20 years from the date of granting the licence by the Telecommunication Regulation Authority of United Arab Emirates.

The Indefeasible right of use represent the fee paid to an operator of fibre-optic cable system for the right to use its submarine fibre-optic circuits and cable system. The fees will be amortised on a straight-line basis over a period of 15 years from the date of activation of the cable system.

Spectrum/frequency authorisation fees have been charged by the Telecommunication Regulation Authority of the United Arab Emirates for the authorisation of various frequencies to be used by Company.

Numbering fees have been charged by the Telecommunication Regulation Authority of the United Arab Emirates for the allocation of the right of use of mobile number ranges.

Emirates Integrated Telecommunications Company, PJSC

Notes to the Interim Condensed Financial Statements (Continued)

6 Related party transactions

Related parties comprise the shareholders of the Company, its directors, key management personnel and entities over which they exercise significant influence. Transactions with related parties are on terms and conditions approved by the Company's management, individual directors or by the Board of Directors.

During the period, the Company acquired the business and assets of the following wholly owned subsidiaries of Tecom Investments FZ LLC, a related party with effect from 31 December 2005.

Sama Communications Company FZ LLC
DIC Telecom (International Operations) Limited
The technology division of Tecom Investments FZ LLC

The goodwill arising from the acquisition as of 31 December 2005 has been calculated as follows:

	AED 000
Consideration paid	1,133,237
Less:	
Revalued amount of property, plant and equipment acquired	(351,244)
Revalued amount of right of use of fibre-optic cable system	(77,133)
Goodwill	<u>704,860</u>

7 Pre-operating income (net)

The revenues and cost of sales from the date of acquisition to 30 September 2006, generated by the acquired business amounted to AED 302,860 thousands and AED 147,605 thousands, respectively (three months ended 30 September 2006: AED 101,995 thousands and AED 47,840 thousands, respectively). These amounts have been netted off as pre-operating income in the statement of pre-operating costs.

8 Contingencies and commitments

	AED 000
Contingencies	
Letters of guarantee	<u>1,430</u>
Letters of credit	<u>7,204</u>

Further, the Company has outstanding capital commitments amounting to AED 520,549 thousands as of 30 September 2006.

9 Comparative figures

Comparative figures have not been presented as this is the first accounting period of the Company following its registration on 28 December 2005.

10 Earnings per share

As the Company has not yet commenced its commercial operations, the earnings per share have not been disclosed.